

# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

## Project Staff Report

### 2019 First Round

June 12, 2019

Veterans Park Apartments, located at 424-446 W. Commercial Street in Pomona, requested and is being recommended for a reservation of \$1,839,851 in annual federal tax credits to finance the new construction of 60 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by AMCAL Enterprises Inc. and will be located in Senate District 20 and Assembly District 52.

The project will be receiving rental assistance in the form of HUD Section 8 VASH Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

**Project Number** CA-19-028

**Project Name** Veterans Park Apartments  
**Site Address:** 424-446 W. Commercial Street  
Pomona, CA 91768 County: Los Angeles  
**Census Tract:** 4088.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,839,851	\$0
Recommended:	\$1,839,851	\$0

#### Applicant Information

**Applicant:** AMCAL Multi-Housing, Inc.  
**Contact:** Arjun Nagarkatti  
**Address:** 30141 Agoura Road, Ste 100  
Agoura Hills, CA 91301  
**Phone:** 818-706-0694  
**Email:** arjun@amcalhousing.com

<b>General Partner(s) / Principal Owner(s):</b>	AMCAL Multi Housing Inc Las Palmas Foundation
<b>General Partner Type:</b>	Joint Venture
<b>Parent Company(ies):</b>	AMCAL Multi Housing Inc Las Palmas Foundation
<b>Developer:</b>	AMCAL Enterprises Inc.
<b>Investor/Consultant:</b>	Hudson Housing
<b>Management Agent(s):</b>	FPI Management Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 61  
 No. & % of Tax Credit Units: 60 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 VASH Project-based Vouchers (30 units - 50%)

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Diane SooHoo

**55-Year Use / Affordability**

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	39	65%
At or Below 50% AMI:	10	15%
At or Below 60% AMI:	11	15%

**Unit Mix**

25	1-Bedroom Units
16	2-Bedroom Units
20	3-Bedroom Units
61	Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
20 1 Bedroom	30%	30%	\$545
5 1 Bedroom	30%	30%	\$545
5 2 Bedrooms	30%	30%	\$654
10 2 Bedrooms	50%	50%	\$1,092
9 3 Bedrooms	30%	30%	\$763
11 3 Bedrooms	60%	60%	\$1,519
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,747,909
Construction Costs	\$20,171,939
Rehabilitation Costs	\$0
Construction Contingency	\$1,488,315
Relocation	\$0
Architectural/Engineering	\$1,500,738
Const. Interest, Perm. Financing	\$2,581,331
Legal Fees	\$225,000
Reserves	\$191,370
Other Costs	\$2,370,410
Developer Fee	\$1,400,000
Commercial Costs	\$0
<b>Total</b>	<b>\$32,677,012</b>

**Residential**

Construction Cost Per Square Foot:	\$332
Per Unit Cost:	\$535,689

**Construction Financing**

Source	Amount
JP Morgan Chase	\$23,707,303
LA Community Development Commission	\$5,122,000
Deferred Developer Fee	\$260,000
Tax Credit Equity	\$3,587,709

**Permanent Financing**

Source	Amount
JP Morgan Chase	\$3,198,726
HCD - VHHP	\$6,613,415
LA Community Dev. Commission	\$5,200,000
Tax Credit Equity	\$17,664,871
<b>TOTAL</b>	<b>\$32,677,012</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$15,725,224
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$20,442,791
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,839,851
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Hudson Housing
Federal Tax Credit Factor:	\$0.96013

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$15,725,224
Actual Eligible Basis:	\$28,694,366
Unadjusted Threshold Basis Limit:	\$18,896,945
Total Adjusted Threshold Basis Limit:	\$26,982,053

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>58.392%</b>

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations (See "**Significant Information / Additional Conditions**" section below), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Significant Information / Additional Conditions**

The applicant utilized both the California Utility Allowance Calculator (CUAC) and the Public Housing Authority's (PHA) current utility allowance schedule in application. Mix use of the CUAC and PHA utility allowance schedule is not permitted and use of the CUAC on projects receiving Section 8 rental assistance must be approved by the PHA. Staff reviewed the project's rental income and 15 year proforma using the PHA utility allowance schedule.

The project will serve 60 veteran families and veteran individuals under HCD's Veterans Housing and Homelessness Prevention (VHHP) program. Of these 60 units, 30 units will be set aside for homeless veterans and will have HUD Section 8 VASH project-based vouchers.

The applicant's estimate for annual operating expenses per unit is below the \$5,700 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g), the shortage of expenses for total annual operating expenses is within the \$5,000 allowed by TCAC to be deemed an application error. The applicant must correct the operating expenses per unit shortage in the readiness submission.

**Resyndication and Resyndication Transfer Event:** None

**Legal Status**

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

**Local Reviewing Agency**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**Please Note:** If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**